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Administrative and budgetary aspects of the financing of the United Nations peacekeeping operations

Updated financial position of closed peacekeeping missions as at 30 June 2011

Report of the Advisory Committee on Administrative and Budgetary Questions

I. Introduction

1. The Advisory Committee on Administrative and Budgetary Questions has considered the report of the Secretary-General on the updated financial position of closed peacekeeping missions as at 30 June 2011 (A/66/665). During its consideration of the report, the Committee met with representatives of the Secretary-General who provided additional information and clarification.

2. In paragraphs 1 to 7 of his report, the Secretary-General provides an update on the cash position of the 23 closed peacekeeping missions as at 30 June 2011. The Secretary-General indicates that, as at that date, 18 of the 23 closed missions had cash surpluses available for credit to Member States, totalling approximately $27.6 million (see table 3); and 5 closed missions had cash deficits totalling $86.8 million owing to outstanding payments of assessed contributions (see tables 4 and 5). The net cash available for credit to Member States as at the same date amounted to $27.6 million (see table 1).

3. The Advisory Committee recalls that the net cash available for credit to Member States, as at 30 June 2010, had amounted to $230.7 million. In its resolution 65/293 the General Assembly decided to return $70,600 to the Government of Kuwait and requested the Secretary-General to return 78.01 per cent of the $230.7 million net cash available, in the amount of $180 million (see table 2).

4. Upon enquiry, the Advisory Committee was informed that action had been taken on the return of $180 million in credits as instructed by the General Assembly. As at 31 January 2012, a total of $57.6 million had either been refunded or applied to other accounts on the instructions of the Member States concerned. **The Committee expects that, in accordance with Assembly resolution 65/293, the**

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cash surplus available for credit to Member States will be returned in full and in a timely manner.

II. Cash requirements of the Organization

5. Information on the cash requirements of the Organization is provided in paragraphs 8 to 10 of the Secretary-General's report. The Secretary-General indicates in paragraph 8 that the liquidity in peacekeeping missions is volatile owing to the inherent unpredictability of receipts of assessed contributions. He further indicates that there has been a significant time lag, often ranging from 60 to 120 days, between the issuance of notifications to Member States and the receipt of assessed contributions. Pending the payment of assessed contributions, any cash shortages have had to be met by borrowing from the cash surpluses of closed missions. It is further indicated that the cross-borrowing has grown from a peak level of $30 million for three active operations in the 2009/10 financial period to $76.5 million for six active missions in the ongoing 2011/12 period. The amount required for cross-borrowing peaked at $93 million in September 2011, compared with $47.5 million in 2010/11 (see annexes III and IV). **The Advisory Committee recalls the repeated calls by the General Assembly for all Member States to pay their assessed contributions in full, on time and without conditions (see Assembly resolution 65/293).**[1] **In addition, the Committee encourages the Secretary-General to review the issuance of notifications to Member States and its timeliness in order to determine what efficiencies can be gained.**

6. In view of the reduced net cash balance available for return to Member States as at 30 June 2011 and the recent increase in the peak level of cross-borrowing in order to manage the cash shortfalls in active peacekeeping operations, the Secretary-General proposes to retain the $27.6 million cash surplus, as explained in paragraph 10 of his report (see para. 2 above). In addition to the $41.5 million already borrowed by active missions as at the same date, retaining the $27.6 million surplus would raise the Secretary-General's cross-borrowing capacity to $69.1 million. **The Advisory Committee notes with concern the increase in cross-borrowing and stresses the importance of delinking the cash flow requirements of active peacekeeping missions from the cash surpluses in closed peacekeeping missions that should be returned to Member States (see also para. 13 below).**

7. Upon enquiry, the Advisory Committee was informed that since 2003, the Secretary-General had continued to propose the retention of cash balances from closed peacekeeping operations as a source of cross-borrowing for active peacekeeping operations, because of cash shortages owing to unpaid peacekeeping assessments. The Committee was also informed that cash balances of closed peacekeeping missions had previously been credited to Member States. It was further indicated that with the exception of General Assembly resolutions 57/323 and 58/288, which together required the Secretary-General to return surplus cash in the closed missions in the amount of $168,892,000, and resolution 65/293, in which the Assembly decided to return an amount of $70,600 to the Government of Kuwait and requested the Secretary-General to return the amount of $180 million to Member States, the Assembly has annually decided to defer consideration of the Secretary-General's proposals to its next session. The Committee was also informed

[1] See also resolutions 64/243, 62/236, 56/253 and 54/249.

that "without a specific decision of the General Assembly requiring the return of surplus cash in closed peacekeeping missions, under the Financial Regulations and Rules the Secretary-General has neither a requirement nor a basis for making such a return". **The Assembly may wish to re-examine the United Nations Financial Regulations and Rules in this specific regard.**

III. Outstanding dues to Member States in cash deficit missions

8. As indicated in annex II of the Secretary-General's report, the amount owed to troop- and police-contributing countries by closed peacekeeping missions that are in cash deficit amounted to $63.1 million as at 30 June 2011. In paragraph 11 of his report, the Secretary-General further indicates that the General Assembly, in its resolution 65/293, requested him to submit for its consideration and approval, concrete proposals and alternatives to address the issue. In that regard, the Secretary-General proposes either to borrow, or to transfer permanently, a portion of the $335.5 million unencumbered balance of the special account for the African Union-United Nations Hybrid Operation in Darfur (UNAMID) as at 30 June 2011 (A/66/665, paras. 13-14).

9. Upon enquiry, the Advisory Committee was informed that the unencumbered balance of the special account for UNAMID as at 30 June 2011 had resulted mainly from reduced requirements for military and police personnel costs; lower-than-budgeted expenditures for international staff salaries and common staff costs; lower-than-planned level of aviation activities; and the cancellation of prior-period obligations in the amount of $89.9 million.

10. **The Advisory Committee is concerned at the substantial unencumbered balance of the special account for UNAMID and trusts that appropriate action is being taken to determine the cause in order to avoid a recurrence in the future. The Committee is of the view that this issue should be dealt with separately from the issue of outstanding claims from troop- and police-contributing countries in cash deficit missions, and that the unencumbered balance should be returned to Member States in accordance with the established procedure.**

11. **The Advisory Committee regrets that the Secretary-General's report does not present any new concrete proposals and alternatives to address the issue of outstanding dues to Member States from closed peacekeeping missions that are in cash deficit. The Committee is of the opinion that the proposed utilization of the unencumbered balance of the special account for UNAMID to settle the outstanding claims from troop- and police-contributing countries would only be a temporary remedy that would not address the root cause of the existing problem. The Committee also notes that implementing such a proposal would mean utilizing resources due to Member States that have paid their assessed contributions in full to meet the financial obligations to the Organization of Member States that have not paid their assessed contributions (see also para. 5 above).**

12. **The Advisory Committee recommends that the General Assembly further urge the Secretary-General to intensify his efforts in that regard and request him to submit for its consideration all possible options, including revisiting some proposals that were made in the past such as the Secretary-General's**

previous proposal to apply available credits against outstanding contributions (A/65/556, para. 16), which was supported by the Committee in its earlier report (A/65/775, para. 11). In addition, the Committee suggests that the Assembly request the Secretary-General to re-examine the financial regulations pertaining to interest earned and interest accrued insofar as they relate to cash balances, and possible interest on cash loaned internally.

IV. Other comments and observations

Retention of cash surpluses and reimbursement to the troop- and police-contributing countries

13. The Advisory Committee recalls its earlier comments contained in paragraph 9 of its report A/65/775 regarding the need to balance the competing requirements of the payment of claims from the troop- and police-contributing countries in cash deficit missions and the return of surplus funds to the Member States that have duly paid their assessed contributions. **In this connection, the Committee reiterates the importance of settling the claims from troop- and police-contributing countries in active and closed peacekeeping missions in a timely manner.**

14. In response to the questions of the Advisory Committee, the Secretary-General takes the view that normally, settling the troop- and police-contributing countries' debt, as a contractual obligation, has precedence over returning surplus funds to Member States and that in the absence of any explicit provisions in the United Nations Financial Regulations and Rules relating to the return of credits from peacekeeping missions, the return of surplus funds to Member States is only done on the basis of a General Assembly resolution requesting it, on the terms and conditions attached to such a resolution. The Committee also notes from the information provided to it that, in certain cases, some Member States are debtors for unpaid assessments and also creditors for return of credits from surplus funds. The Committee recalls that in his report A/65/556, the Secretary-General had attempted to resolve the competing requirements by proposing that Member States be encouraged to apply their credits to the settlement of outstanding contributions in cash deficit missions (see para. 12 above).

Delay in payments to the troop- and police-contributing countries

15. Upon enquiry, the Advisory Committee was informed that as at 31 December 2011, payments for troop and formed police unit costs were current up to October/November 2011 for the United Nations Stabilization Mission in Haiti, the United Nations Organization Stabilization Mission in the Democratic Republic of the Congo, UNAMID, the United Nations Interim Force in Lebanon and the United Nations Operation in Côte d'Ivoire. However, the Committee was informed that owing to cash shortages on account of unpaid assessed contributions, the payments for troop and formed police unit costs had been paid only up to August/September 2010 for the United Nations Disengagement Observer Force, the United Nations Mission in the Sudan, the United Nations Mission in South Sudan, the United Nations Interim Security Force for Abyei, the United Nations Mission in Liberia and the United Nations Integrated Mission in Timor-Leste, and up to April/May 2011 for the United Nations Mission for the Referendum in Western Sahara and the United Nations Peacekeeping Force in Cyprus. The Committee was further informed that

the outstanding dues to the troop- and police-contributing countries in respect of the United Nations Transitional Authority in Cambodia, whose mandate ended in 1993, was $40 million owing to unpaid assessments of the same amount. **The Committee is concerned about the long overdue payment of assessed contributions and the consequent delay in the settlement of the amounts owed to the troop- and police-contributing countries, which continues to have an adverse effect on the operations of active peacekeeping missions. While the Committee concurs that the ideal approach would be for Member States to pay their contributions expeditiously (A/66/665, para. 12), it should not preclude efforts to find alternatives that would provide a long-term solution.**

V. Recommendations

16. The actions to be taken by the General Assembly are set out in paragraph 15 of the Secretary-General's report. **In view of its comments and observations in the preceding paragraphs, the Advisory Committee:**

(a) **Recommends that the Assembly approve the retention of the net cash balance of $27.6 million available in 18 closed peacekeeping missions in light of the reduced net cash balance as at 30 June 2011 and the recent increase in the peak level of borrowing from closed peacekeeping missions;**

(b) **Recommends against both options proposed by the Secretary-General (A/66/665, paras. 13 and 14) to utilize a portion of the $335.5 million unencumbered balance of the special account for UNAMID as at 30 June 2011 for the settlement of outstanding dues to Member States in closed peacekeeping missions with cash deficits;**

(c) **Recommends that the Assembly request the Secretary-General to submit for its consideration, at its second resumed sixty-seventh session, a report on concrete proposals: (i) to address the issue of outstanding dues to Member States from closed peacekeeping missions that are in net cash deficit; and (ii) for a long-term solution to the cash shortfalls for active missions that currently can only be met by borrowing from closed peacekeeping missions.**